



2006-2007 Proposed Budget BUDGET IN BRIEF

Proposed Financial Plan

The 2006-2007 Proposed Operating and Capital Budgets for the City of San José total \$2.6 billion and represent the City Manager's proposed financial plan for the upcoming year. The Mayor and City Council, who are responsible for adopting the final budget for the City of San José, will be holding a series of City Council Budget Study Sessions during May to thoroughly analyze the many proposals set forth in this budget and to solicit input from the community. In June, the Mayor and City Council will adopt the final budget, incorporating any changes resulting from that review.

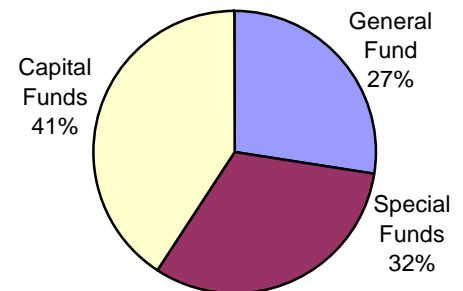
For the fifth consecutive year, the Proposed Operating Budget closes a General Fund budget gap. This budget is based on the underlying assumption that the economic environment in the region will neither return to the extremely high growth levels experienced in the late 1990s nor drop back into the recession conditions that so devastated City finances in the first four years of the new decade. While the Valley economy and the associated City revenue performance are expected to resume modest growth, expenditure levels of existing General Fund programs are expected to exceed those revenue growth rates.

The 2006-2007 General Fund budget shortfall totals \$34.9 million. To close this gap, additional revenues and limited expenditure reductions are proposed. For the first time in several years, there is also a strategic addition of resources to address critical service and infrastructure needs. While this is relatively good news for a City that has endured substantial reductions in recent years, it is tempered by projections that show costs continuing to rise faster than revenues for the next few years. This budget was developed with a focus on City Council priorities, directing resources toward essential services, meeting basic infrastructure requirements, taking advantage of economic development opportunities, and maintaining the Council's strong commitment to neighborhoods.

City Priorities

- ❖ ***Building Stronger Neighborhoods***
- ❖ ***Remaining the Safest Big City in America***
- ❖ ***Helping All Children Achieve***
- ❖ ***Building Better Transportation***
- ❖ ***Driving a Strong Economy***
- ❖ ***Making Government Work Better***

2006-2007 Proposed Budget



General Fund: used for regular operating expenditures, such as public safety, parks, and libraries.

Special Purpose Funds: used for operations that receive direct funding, which can only be used for a specific purpose, such as the Airport.

Capital Funds: used for infrastructure improvements, including transportation, sewer, public safety, airport, parks, and library projects.

Budget Hearings

The City Council will hold several budget study sessions in May and at least two public hearings. Public hearings are currently scheduled for Tuesday, May 16th at 7:00 p.m. and Monday, June 12th at 7:00 p.m. The schedule for the study sessions and public hearings is posted on the City's website (www.sanjoseca.gov). The study sessions and public hearings will be held in the City Hall Council Chambers, 200 East Santa Clara Street, San José and are televised on the cable channel 26. Live and archived broadcasts of these sessions are also accessible on the City's website. The final budget will be adopted on June 20th.

Balancing the Budget

General Fund Budget Balancing Plan

	(In \$000s)
Budget Shortfall	34,890
Source of Funds:	
Emergency Communication System Support Fee	10,357
Use of 2006-2007 Future Deficit Reserve	18,426
Cardroom Revenue	9,500
2005-2006 Excess Revenue/Expenditure Savings	6,000
Use of e-Government and Fee Reserves	3,375
Transfers from Other Funds & Other Adjustments	7,393
Total Change to Source of Funds	55,051
Use of Funds	
Staffing & Non-Personal/Equipment Reductions	(4,798)
Shift Eligible Expenditures to Other Funds	(2,096)
Technology & Capital Infrastructure Reserves	9,800
Neighborhood Reserve	5,000
Economic Uncertainty Reserve	4,000
Miscellaneous Additions	8,255
Total Change to Use of Funds	20,161
Total Change in the General Fund	34,890

How was the General Fund Budget Deficit Calculated?

Each year, a Five-Year General Fund Forecast is prepared that compares the estimated revenues and expenditures over the next five years to determine if there is a projected surplus or deficit.

The expenditure figures, which reflect the cost of existing programs, are updated to reflect estimated salary and benefit costs and any changes in contractual obligations. In addition, expenditures to which the City is considered to be committed by prior City Council action are included, such as costs related to operating and maintaining new facilities.

In 2006-2007, the expenditures are projected to exceed the estimated revenues by \$34.9 million. This figure, however, does include approximately \$4 million for new facilities opening in 2006-2007.

The 2006-2007 Proposed Operating Budget closes a \$34.9 million funding gap in the City's General Fund by identifying additional funding sources of \$55.1 million, partially offset by net additions of \$20.2 million. The budget balancing strategy relies heavily on the continuation of fees and taxes that are already being assessed in San José, including the Emergency Communication System Support Fee and Cardroom Taxes, as well as the use of reserves and additional fund balance expected at the end of 2005-2006. These strategies are proposed in an effort to avoid more severe cuts in the programs and services delivered to the public.

Over the past four years, the City has already closed General Fund budget deficits totaling over \$260 million. With the 2006-2007 General Fund shortfall, this figure is now approaching \$300 million. These reductions have not come without a cost. Critical infrastructure needs have been postponed, with significant reductions in the maintenance of the City's parks, roads, and City facilities; services have been scaled back; and the workforce has been reduced by almost 10%. In recognition of the severity of the reductions already implemented, additional service reductions have been minimized to the extent possible. This is also the first time in several years in which additions are proposed, primarily associated with the operation of new parks, library and public safety facilities (these costs were already factored into the General Fund deficit calculation.) In addition, several one-time reserves are proposed to address the significant backlog of infrastructure needs, neighborhood improvements, and future potential deficits.

With almost 30% of the budget balancing strategy dependant on the continuation of the Emergency Communication System Support Fee, a contingency plan (which is presented with the Proposed Operating Budget) has been prepared in case the City Council chooses not to extend this fee that is scheduled to sunset December 31, 2006. The 2006-2007 Emergency Communication System Support Fee Contingency Plan sets forth a package of 27 proposals valued at approximately \$10.4 million, (the estimated value of the fee extension in 2006-2007). These proposals, if implemented, would severely impact many of the City's core services, especially in the public safety area.

Budget Facts

2006-2007 Proposed Budget

GENERAL FUND

Police	\$ 254,885,193
Fire	128,724,531
City-wide Expenses	75,642,847
Parks, Recreation & Neighborhood Services	60,426,882
Planning, Building & Code Enforcement	35,895,574
Transportation	33,325,908
City Administration	16,869,882
Libraries	27,592,546
General Services	20,195,398
Finance and Employee Services	17,277,973
Information Technology	15,856,488
Public Works	9,517,193
Capital Improvements	4,978,000
Economic Development	4,285,491
Transfers to Other Funds	29,175,668
Other	21,798,922
Reserves	90,239,005
Total General Fund	\$ 846,687,501

ENTERPRISE/SPECIAL PURPOSE FUNDS

Airport	\$ 477,138,850
Waste Water Treatment Plant & Sanitary Sewer	220,444,657
Housing	123,682,003
Waste Mgmt (Garbage Collection/Recycling)	94,858,799
Municipal Water	28,695,882
Workforce Investment Act	22,903,140
Parking	21,604,691
Storm Sewer Operations	19,667,794
Community Development Block Grant	19,107,293
Convention and Cultural Facilities	16,269,762
Gas Tax	17,000,000
Other	256,651,753
Total Special Purpose Funds	\$ 1,318,024,624

CAPITAL IMPROVEMENT FUNDS

Airport	\$ 348,209,315
Parks and Community Facilities	290,983,556
Public Safety	109,103,766
Library	103,345,005
Traffic	62,634,331
Sanitary Sewers	45,167,526
Water Pollution Control	56,312,705
Service Yards	13,315,786
Other	38,354,218

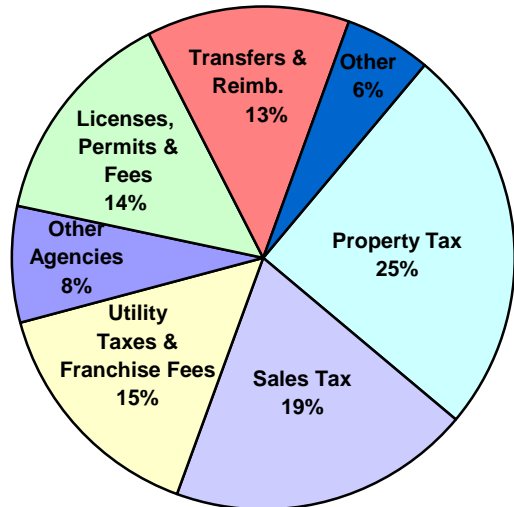
Total Capital Funds \$ 1,067,426,208

TOTAL ALL FUNDS \$3,232,138,333

Less Transfers, Loans & Contributions (\$641,633,553)

NET CITY USE OF FUNDS \$ 2,590,504,780

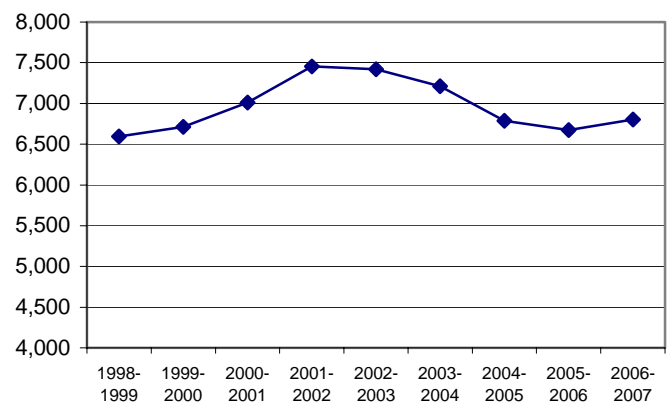
2006-2007 Major Sources of General Fund Revenues*



* Excludes Fund Balance

Total City Positions

Position History



A net addition of 131 positions is recommended as part of the 2006-2007 Proposed Budget. This marks the first time since 2001-2002 that positions are being added in the annual budget. Staff are being added primarily to operate new parks, library, and public safety facilities that are coming on-line. These additions are partially offset by staffing reductions necessary to address the budget deficit.

The 2006-2007 staffing level of 6,803 would still only be roughly equivalent to 1999-2000 levels.

Service Delivery Highlights

The City of San José organizes its operations into six City Service Areas (CSAs). Following is a brief description of the expected service delivery in 2006-2007 and the impacts of the proposed budget actions.

Key Public Safety Services

Police Patrol
Police Investigations
Crime Prevention
Fire Suppression
Emergency Medical Services
Fire Prevention
Emergency Preparedness
Public Education



Key Community & Economic Development Services

Building Permits
Development Services
Economic Development
Land Use and Planning
Local & Small Business
Technical Services
Public Art
Workforce Investment Network



Public Safety

Expected Service Delivery

- ☐ Provide essential emergency services (patrol, fire suppression, and emergency medical services) in a timely and effective manner.
- ☐ Maintain school liaison functions and programs, such as Safe Schools Initiative, crime prevention programs, and public education efforts.
- ☐ Continue to coordinate and implement federally-mandated regional terrorism response planning and San José Prepared!
- ☐ Effectively investigate crimes and prosecute suspects.

Service Delivery Changes

- ☐ Extend the Emergency Communication System Support Fee and add 6.0 Police Public Safety Dispatchers to address wireless 9-1-1 calls.
- ☐ Add funding for two new fire companies (Fire Station 33 – Communication Hill and Fire Station 35-Cottle/Poughkeepsie) that are scheduled to be operational in 2007-2008, including the addition of 28 sworn positions.
- ☐ Add permanent funding to maintain a dedicated Hazardous Incident Team.
- ☐ Reduce overtime for the Truancy Abatement-Burglary Suppression (TABS) Program, impacting the number of truants transported to TABS centers.
- ☐ Reduce 9.38 vacant Police administrative positions and add 6 Police Data Specialists for two years to address the records management backlog.

Community & Economic Development

Expected Service Delivery

- ☐ Aggressively implement the City's Economic Development Strategy.
- ☐ Align events and activities with the City's economic development goals.
- ☐ Maintain local and small business technical services and the Workforce Investment Network Program services.
- ☐ Provide assistance to arts organizations and support the Public Art program.
- ☐ Provide excellent customer service in the development review process.

Service Delivery Impacts

- ☐ Add two new One Stop locations (East San José and Morgan Hill) that provide career guidance, job referrals, training, and business services.
- ☐ Add positions in Building (3), Fire (2), and Public Works (2) to improve development services response times and add a development webmaster.
- ☐ Increase development fees by an average of 4.5% to 7% to recover costs.
- ☐ Add resources to begin comprehensive update of the General Plan.
- ☐ Improve special events coordination for Downtown events.

Service Delivery Highlights

Neighborhood Services

Expected Service Delivery

- ❑ New and more flexible libraries and community centers are being constructed as promised to voters.
- ❑ Continue to provide homework support, sports activities and other enrichment to local youth as well as maintain current library hours.
- ❑ Maintain conflict resolution and intervention at schools.
- ❑ Continue to provide blight abatement and other code enforcement services.
- ❑ Continue operation of the City's Animal Care Facility.
- ❑ Continue towards a new goal of providing 1,200 affordable housing units a year and continue efforts to address homelessness.

Service Delivery Impacts

- ❑ Add 32.5 positions and \$1.9 million to support new library facilities.
- ❑ Add 22.5 positions and \$1.4 million to support new parks and recreation facilities.
- ❑ Continue implementation of the Community Facility Re-Use Strategy approved in 2005-2006 with the closure/re-use of various sites.
- ❑ No reductions in funding for Community Based Organizations for the first time in several years.
- ❑ Eliminate the Future Teacher Loan Program due to low participation.
- ❑ Minor park and sport facility use fee increases to recover costs. Increase cat and dog adoption fees.

Environmental & Utility Services

Expected Service Delivery

- ❑ Continue to exceed the State's AB 939 waste diversion mandate of 50%.
- ❑ Replace and rehabilitate the City's aging infrastructure.
- ❑ Continue to meet storm water permit requirements.
- ❑ Continue adding new users to the Recycled Water System.

Service Delivery Impacts

- ❑ Implement the Consolidated Utility Billing System.
- ❑ Expand parking prohibition and enforcement on sweep days by installing 40 new curb miles of signage for parking prohibitions.
- ❑ Implement modest Storm Sewer, Sewer Service and Use Charge, Recycle Plus, and Municipal Water System rate increases in order to maintain reliable utility infrastructure, while keeping rates below County averages.
- ❑ Increase the Commercial Solid Waste Franchise Fee by 5% to support downtown cleaning activities and a study of downtown garbage/recycling.
- ❑ Add technical support in the pretreatment and pollution prevention programs, install devices to prevent trash from entering the storm sewer system, and implement a Fats, Oil & Grease Inspection Program.

Key Neighborhood Services

Adult & Youth Sports
After School Programs
Animal Care Services
Anti-Graffiti and Anti-Litter
At-Risk Youth Services
Code Enforcement
Community Centers
Libraries
Housing Services
Park Facilities
Senior Services



Key Environmental & Utility Services

Energy Conservation Efforts
Garbage Collection & Recycling
"Green" Building Program
Municipal Water System
Neighborhood Cleanups
Sanitary Sewer Maintenance
Storm Sewer Maintenance
Water Pollution Control Plant
Water Recycling



Service Delivery Highlights

Key Transportation & Aviation Services

Airport Operations
Parking Services
Landscape & Tree Maintenance
Street Pavement Maintenance
Traffic Capital Improvements
Traffic Maintenance
Traffic Safety Education
Transportation Planning and Project Delivery



Key Strategic Support Services

Employee Services
Facility Maintenance
Financial Management
Fleet Maintenance
Information Technology
Public Works Services



Transportation and Aviation Services

Expected Service Delivery

- ❑ Focus efforts on increasing the number of destinations served and flight frequency.
- ❑ Continue to address security mandates at the Airport.
- ❑ Continue construction of the North Concourse facility and the development of the Terminal Area Improvement Program at the Airport.
- ❑ Provide timely infrastructure repairs to ensure basic community safety (potholes and larger pavement failures, signals, signs, markings, etc.).
- ❑ Leverage State and federal funding for regional transportation projects.
- ❑ Perform limited street sealing preventative maintenance and resurfacing.

Service Delivery Impacts

- ❑ Reduce parking shuttle hours to Airport tenant employees by 5%, which would increase the wait times during non-peak hours from 13 to 26 minutes.
- ❑ Implement second year of traffic signal retrofit project to reduce energy costs.
- ❑ Proposed addition of \$5.3 million from the General Fund to begin to address the significant backlog of infrastructure needs, such as street maintenance.
- ❑ Increase traffic citation fees for storage on street, commercial vehicle in residential area, parked in bus stop, and double parking. The proposed fees would be consistent with other local jurisdictions with similar penalties.

Strategic Support

Expected Service Delivery

- ❑ Oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customer and City staff needs.
- ❑ Maintain City facilities, equipment, and vehicles.
- ❑ Attract and retain qualified employees.
- ❑ Ensure that the City's finance and technology resources are protected and available to address short and long-term needs of the community.

Service Delivery Impacts

- ❑ Begin to centralize the City's procurement process for professional services to ensure fair, consistent, and transparent processing of professional contracts.
- ❑ Establish a collection agency activities recovery fee on delinquent accounts.
- ❑ Continue start-up staffing for a Consolidated Utility Billing System.
- ❑ Provide contractual maintenance funding for the data and voice network system at City Hall for one year while staff is trained to maintain system.
- ❑ In-source fleet maintenance, day-time City Hall custodial services, and electrical maintenance at a net savings to the General Fund.
- ❑ Plan, design, and implement workforce planning efforts to ensure that the City develops its current workforce and attracts new talent.

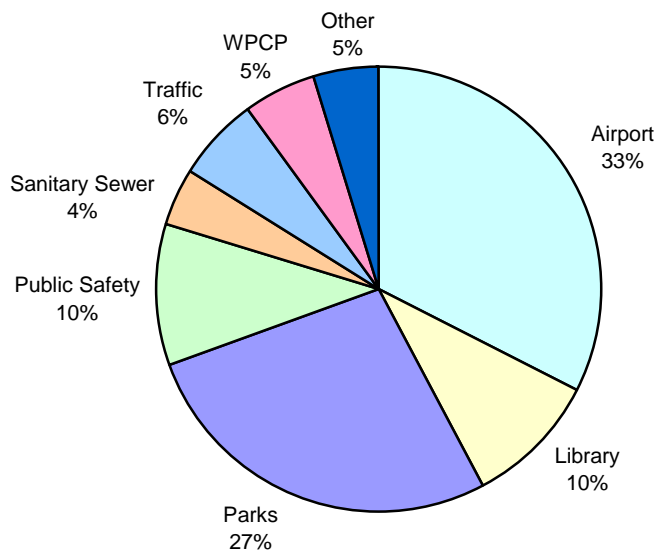
Investing in the City's Infrastructure

The capital investments proposed over the next five years are substantial with a 2006-2007 Proposed Capital Budget of \$1.07 billion and a 2007-2011 Proposed CIP of \$2.57 billion.

The City is now in the second half of the *Decade of Investment* that is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million for these purposes. The expansion of the Airport will deliver a facility that meets the needs of both customers and the airlines in a cost effective manner. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and the capacity to address future growth.

The large number of new and expanded facilities now beginning to come on-line brings with them a substantial price tag in terms of General Fund operating and maintenance costs. The 2006-2007 Proposed Operating Budget includes additional funding of \$3.3 million to operate new parks and library facilities. Funding is also included to start training fire personnel that will be necessary to staff two new stations that are coming on-line in 2007-2008. The level of investment for new facilities is expected to increase significantly over the next five years as the remaining bond-funded parks, library, and public safety projects are completed.

2006-2007 Proposed Capital Budget



Major Projects to be Completed over the Next Five Years

2006-2007 Projects

Cambrian Branch Library
City Hall Off-Site Parking Garage
Emma Prusch Memorial Park
Fire Station 33 (Communication Hill)
Fire Station 34 (Berryessa)
Hillview Branch Library
Senter Road: Tully to Singleton

2007-2008 Projects

Airport Temporary Terminal C
Blossom Hill/Monterey Road Interim Pedestrian Improvements
Branham Lane Improvements
Edenvale Branch Library
Fire Station 35 (Cottle/Poughkeepsie)
Joyce Ellington Branch Library
Pearl Avenue Branch Library
Rebuild Fire Station 2
Roosevelt Community Center
Water Pollution Control Plant Reliability Improvements
West Side Airfield Overlay
Willow Glen Branch Library

2008-2009 Projects

Airport Terminal A Improvements
Airport North Concourse
Public Safety Driving Training Center
East SJ Carnegie Branch Library
Fire Station 36 (Silver Crk/Yerba Buena)
Happy Hollow Park & Zoo
Mayfair Community Center
Santa Teresa Branch Library
Skatepark at Lake Cunningham
SJSU to Japantown Pedestrian Corridor

2009-2010 Projects

Airport Terminal B Phase I
Bascom Community Center & Library
Calabazas Branch Library
Educational Park Branch Library
Fire Station 37 (Willow Glen)
Seventrees Branch Library
Solari Community Center
South San José Police Substation

2010-2011 Projects

Airport Terminal C Demolition
Almaden Road Sewer Rehabilitation
Transportation Incident Mgmt. Center
Southeast Branch Library

Roster of Elected Officials



<i>CITY COUNCIL</i>	<i>DISTRICT</i>	<i>TELEPHONE</i>
Ron Gonzales	Mayor	535-4800
Linda J. LeZotte	1	535-4901
Forrest Williams	2	535-4902
Cindy Chavez	3	535-4903
Chuck Reed	4	535-4904
Nora Campos	5	535-4905
Ken Yeager	6	535-4906
Madison Nguyen	7	535-4907
David D. Cortese	8	535-4908
Judy Chirco	9	535-4909
Nancy Pyle	10	535-4910

Managing Our Finances

Despite the City's economic challenges, the City of San José is recognized for its excellent financial management. San José has maintained its strong AA+ bond rating, the highest of any major California city. The City's annual Operating and Capital Budgets have also received awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers.

The City's excellent credit ratings will save taxpayers money in financing costs for the three general obligation bonds passed for park, library, and public safety improvements.

Accessing the Budget

On-line versions of the City of San José's 2006-2007 Proposed Operating and Capital budgets are posted on the City's website at www.sanjoseca.gov. These documents are also available at your public library. For more information about the City of San José Budget, please contact the City Manager's Budget Office at (408) 535-8144.

This publication can be made available upon request in alternative formats such as Braille, large print, audio-tape or computer disk. Requests can be made by calling (408) 535-8144 (Voice) or (408) 294-9337 (TTY).